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FM AMEMBASSY ROME  
TO RUEHC/SECSTATE WASHDC PRIORITY 1630  
INFO RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHBJ/AMEMBASSY BEIJING 1332  
RUEHRL/AMEMBASSY BERLIN 1903  
RUEHBR/AMEMBASSY BRASILIA 0566  
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RUEHBU/AMEMBASSY BUENOS AIRES 0302  
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RUEHME/AMEMBASSY MEXICO 0559  
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RUEHUL/AMEMBASSY SEOUL 0542  
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RUEHKO/AMEMBASSY TOKYO 1983  
RUEHWR/AMEMBASSY WARSAW 0757  
RUEHVK/AMCONSUL VLADIVOSTOK 0003  
RUEHIN/AIT TAIPEI 0096  
RUEHBS/USEU BRUSSELS 4749  
RUCNDT/USMISSION USUN NEW YORK 0964  
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RUEHNP/AMCONSUL NAPLES 3643  
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RUEHFL/AMCONSUL FLORENCE 3470

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SIPDIS

DEPT FOR EEB/TPP/MTAA (NAFZIGER)  
DEPT PLEASE PASS TO USTR (RMALMROSE)

E.O. 12958: N/A

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SUBJECT: ITALY APPROVES AUTOMOBILE SECTOR ASSISTANCE PACKAGE

REF: A) SECSTATE 4753 B) 08 SECTATE 125609 C) 08 MOSCOW 3745

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11. (U) Summary: On February 6, 2009, the GOI approved an automobile sector assistance package as part of a broader industrial sector stimulus package. The auto sector measures provide consumer incentives, ranging from 500 to 6500 euros, to increase demand and do not appear to give direct support to any one company. The stimulus package goes into effect immediately, but must still be approved by parliament within 60 days. Its passage is expected. End summary.

12. (U) Hit by a fall in total auto sales of 13.4 percent in 2008, 11.4 percent from flagship producer Fiat alone, the GOI put together an automobile sector assistance package designed to stimulate demand and counter an estimated further fall in sales for 2009. According to the Ministry for Economic Development, the Italian auto sector activity represents about 11.4 percent of GDP (165 billion euros), makes up 30 percent of the total industrial output, and employs 400,000 workers directly and 1 million indirectly. While welcoming the stimulus package, Italian trade unions, car workers and the national industry association also expressed disappointment at its modest size compared to what other UE countries have offered their auto sectors.

13. (U) The automobile support package includes incentives from 500 up to 6,500 euros for consumers and businesses that trade-in old cars, commercial vehicles or scooters for new models meeting certain parameters of CO2 emissions. For example, there is a 1500 euros incentive for consumers trading vehicles purchased before December 1999 for new gasoline models emitting less than 140 grams/km of CO2, or less than 130 grams/km for diesel. According to the GOI, this specific measure is compliant with the EU CO2 automobile emissions Directive. For the acquisition of new vehicles alone, the incentive payments range from 3,500 for methane gas, electric or hydrogen fuel models to 6,500 for vehicles with minimum CO2 emission.

14. (U) The vehicle buyer will receive the incentives through discounts directly from the car dealerships, which will in turn receive a tax rebate from the GOI for the same amount. Preliminary information suggests that the incentives apply to the purchase of domestic-and foreign-manufactured vehicles. Post can provide further details on the breakdown of the incentives based on CO2 emissions if necessary.

15. (U) The package also includes a 55 million fund to support reduction of CO2 emissions by local public transportation systems. It will be available for local governments and municipalities that purchase low CO2 emitting technology for their public transportation. However, much of the funds (44 million euros) will come from expected increases in value-added taxes.

16. (U) Comment: According to the GOI, these measures are meant to counter a further contraction of the automobile sector. The GOI estimates that 60,000 jobs will be at risk in this sector and that its further contraction may contribute to a drop of 0.5 percent in

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GDP this year. One Italian bank estimated that the auto sector assistance package could boost vehicle sales by 200,000 units in 2009 and reduce the expected annual drop in sales from the 20 percent that has been forecast to 10 percent. The stimulus plan appears to be broadly in line with similar packages unveiled by France, Germany and the UK. End comment.  
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